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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

GENERAL GOVERNMENT
DIVISION

JUL 19 1977

Assistant Postmaster General
Alfred C. Maevis
Real Estate and Buildings
Department
United States Postal Service

Dear Mr. Maevis:

We have reviewed the U.S. Postal Service's site selection activities in the Central and Western Regions. Our efforts centered around Service policies and practices in obtaining land for facility construction needs. This report summarizes our observations in this area.

In the past, the Service encountered community opposition when attempting to buy sites due to its practice of not contacting local officials until a particular site was decided upon. We found this to be a major cause for delays in obtaining sites.

On June 14, 1976, the Service issued a new policy on community contact which requires that local officials be notified by letter as soon as possible after defining the neighborhood where the new building should be located. The letter should describe the project and the site neighborhood, and contain an offer to have a postal representative meet with local officials and participate in public discussions to obtain local input. Further, local governments should be asked to submit in writing any limitations on its concurrence in the site neighborhood and any suggested alternative areas. We view the policy change as constructive.

We have also developed information on other aspects of the site selection process which we believe could be improved. These concern weaknesses in the methods the Service used for identifying sites and subsequent management evaluations of these sites for meeting Service needs.

A detailed discussion of our findings follows.

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SITE IDENTIFICATION PROCEDURES
COULD BE IMPROVED

In surveying for sites, postal policy provides that, if possible, initial inquiries be directed to owners. Though advertising and/or real estate brokers could be used to identify sites, these techniques generally are not used. Regional postal officials explained that sites are normally found by performing "window surveys"--driving around the area to spot sites posted for sale. The Service's practice of relying primarily on window surveys to identify sites, however, does not assure that all potential sites are considered.

All available sites
are not identified

To determine whether the Service was overlooking potential sites, we reviewed seven Central and Western Region projects in which site selections had been recently completed. We found that potential sites were overlooked on five of these projects. One of these projects is described below.

A site planning report completed May 10, 1975, showed a postal real estate specialist identified four possible sites for a new post office in Yorba Linda, California. The sites were found by driving around the neighborhood and dealing directly with owners. The real estate specialist did not contact real estate agents nor did the Service publicly announce its interest in a site. Two sites were eliminated due to rough terrain and high site preparation costs. The report recommended one of the remaining sites. The site was later purchased for \$240,000 on December 17, 1975.

By talking to relators, we identified the following sites in Yorba Linda that were not considered by the Service but were available at the time the Service was identifying sites.

<u>Site</u>	<u>Zoning</u>	<u>Size (acres)</u>	<u>Price per acre</u>	<u>Total price</u>
A	Residential	2.75	\$20,000	55,000
B	Commercial	2.34	73,000	\$170,820
C	Residential	a/ 4	22,000	88,000
D	Residential	3.36	30,000	100,800
E	Residential	a/ 3.6	14,000	50,400
Selected Site	Residential	2.77	86,643	240,000

a/According to realtors, these sites could be subdivided and all the land would not necessarily have to be purchased.

All of the sites are within 2 miles of the selected site and, as the table shows, were from \$13,643 to \$72,643 an acre less than the Service paid for its site. We did not evaluate whether the six alternative sites would have met the Service's needs and recognize that, had they been considered, they might have been rejected. However, the Service did not determine whether any of these sites would have been as suitable as the one purchased, even though they were all in the same area. Had it done so, the Service may have been able to buy a suitable site for less than it paid.

In an earlier GAO report entitled "Postal Service Acquisition of Land in Hamilton Township, New Jersey," dated February 12, 1976, (GGD-76-44), we identified sites through area realtors which the Service had not considered because of its practice of not advertising or contacting realtors. We concluded that while Service policy does not prohibit it from using real estate brokers or advertising to identify potential sites, such practices were not used in this case and may have resulted in purchasing an expensive site when a considerably less expensive site was available.

Use of advertising could improve site identification

Service policy recommends advertising as a procedure for quickly identifying all available sites. It states that the time required to conduct a realty survey and prepare a site planning report may delay projects, thus, the use of advertising could be used to speed up the site selection process. Service policy is silent on the use of real estate brokers as a means of identifying sites.

Although advertising is considered a feasible method for quickly identifying all readily available sites, the the Central and Western Regions avoided using this procedure unless problems occurred in obtaining sites. Regional officials maintain that advertising reveals Service interest in an area and may cause increased land prices. Further, contacting local brokers gives them an opportunity to list available sites, and thus collect a commission on a sale. Service officials, however, could not supply any evidence to support the contention that advertising or use of brokers would increase acquisition costs.

On the other hand, in one instance in which advertising was used in the Western Region, public knowledge of postal plans apparently did not cause site costs to increase. In January 1975, the Western Region experimented by advertising for a site in Aptos, California. By February 14, 1975, 16 sites had been offered to the Service. Although, the Service's appraised fair market value of the selected site was \$101,700, the owner sold it to the Service for \$70,000.

In contrast to the Service's normal practices, GSA publicizes its plans to buy building sites. At the start of each project, GSA (1) sends announcements requesting proposals for sites to real estate firms in the area, and (2) places advertisements with newspapers having the largest circulation in the community. We believe these techniques could help the Service identify more sites.

Western Region officials noted that the lack of advertising has delayed projects and has caused the Service to overlook possible sites. The Region plans to use advertising on future projects. However, the Regional Director of the Real Estate and Buildings Department believes that advertising would eliminate the need for directly contacting real estate brokers

MANAGEMENT REVIEW PROCESS NEEDS STRENGTHENING

Real estate specialists make preliminary estimates of each site's fair market value and the total estimated costs to the Service. Specialists also consider such factors as physical features, suitability for Service needs, and public accessibility/visibility which are difficult to measure in dollar amounts. Service policy, however, neither provides guidance on the weight to be given to such features nor emphasizes the need to hold site costs to a minimum.

Service policy specifies that a representative from the regional real estate division be designated as a member of the site selection committee, but provides no additional

guidance on what other officials should be members of the committee or the procedures and criteria to be followed in evaluating alternative sites

We found that the site selection committees usually did not meet to discuss the alternative sites identified by the real estate division. Further, in reviewing the site planning reports, the least expensive site was usually not recommended for purchase. In some cases, other less costly sites appeared as suitable as those that were purchased. As a result, the Service may not be selecting the least expensive but suitable site.

Site selection committee
review is weak

In the Western Region, after the real estate division prepared and approved the site planning reports, they were given to the members of the site selection committee. Normally, the committee consisted of officials from the real estate division, the operational requirements branch, the area engineering office, and the district office. These officials usually did not meet to discuss site planning report recommendations. The area engineering office visited sites to review their suitability for constructing a postal building. Officials from the operational requirements branch and the district offices usually did not visit sites before selecting one. Thus, the management review process appeared cursory at best. Regional officials agreed that existing practices resulted in a weak management review.

In the Central region, after site planning reports were approved by the real estate division, the district office manager alone had the authority to select one of the recommended sites. The site selection committee usually consisted of the district manager and the local postmaster where the new building was to be located. We were told that officials from regional departments could challenge the district manager's decision but this was never done.

Least expensive sites
usually not selected

More than one suitable site was identified for each of the new buildings planned for 19 of the 25 projects we reviewed in the Western Region. The least expensive site was selected in only five instances or 26 percent of the time.

Our review of site selection files showed that site features such as public accessibility and site prominence were usually used to justify buying expensive sites even

though the value of these features are difficult to measure. The following example shows how a lower priced site may have been as suitable as the site selected.

Three suitable sites were identified for a new post office in San Bruno, California. The least expensive site consisted of two parcels of land; the largest parcel--about 90 percent of the site--was owned by GSA.

The site planning report estimated that this site would cost the Service about \$360,000 including site preparation costs. The report recommended buying either of the two other sites which were priced by the owners at \$496,585 and \$516,150. The least costly of these, however, was withdrawn by the seller shortly after the site planning report was completed. The most expensive site is located near a shopping center which is within one mile of the GSA site.

The most expensive site was approved by the regional site selection committee. An independent appraiser estimated \$387,000 as the fair market value, which was considerably less than the price asked by the owner. A Service headquarters appraiser reviewed the site with the independent appraiser and adjusted the fair market value to \$465,000. On October 31, 1975, the owner agreed to sell the site for this price.

Western Region officials justified purchasing the most expensive site primarily because it is located on land set aside for future growth of the shopping center. The officials pointed out that the site is more visible and is more accessible to the public. Some regional officials said that post offices located in or near shopping centers will increase revenue and thereby offset the higher land costs. However, the Service has not made a study to determine whether this is true. On the other hand, some postal officials we interviewed disagreed with this idea. These officials explained that any increases in revenue at one post office would be offset by reductions in revenue at other nearby post offices.

In addition to being less expensive, the GSA site is centrally located for service. City officials added that the GSA site was preferred for the new post office because the city could lose revenue from the Service purchasing the shopping center site.

The selection of expensive sites may be traced, in part, to the views of Western region officials who told us that the Service should consider future disposal value and should buy the best site available. We believe that this point of view is not consistent with the Service's foremost goal of providing mail service at the lowest possible cost.

In the Central Region projects we reviewed, the most expensive sites were often considered the most desirable. More than one suitable site was identified for each of the new buildings planned, for 5 of 12 projects reviewed. The site planning reports recommended that the Central Region buy the least expensive site in only one instance. Public accessibility and future property disposal values were important site selection factors. However, at the conclusion of our audit work, the Region had not obtained sites for any of these projects.

Closer management review could
reduce site acquisition costs

A member of the Western Region site selection committee told us that site planning report recommendations were rarely questioned and that approval by members other than the real estate division was nearly automatic. However, we believe that management, by taking a closer look at the site planning report recommendations, can reduce the chances of the Service purchasing a more expensive site than needed.

For example, two suitable sites with a cost difference of \$37,600 were identified for a new post office in Sierra Vista, Arizona. The site planning report recommended buying the expensive site because it is located on a corner with traffic signals and provided better public access. A Western Region official said that he carefully studied the Sierra Vista report after we had inquired about the effectiveness of the management review process. A review showed that the alternate site was the best one operationally because it provided space for mail loading operations and customer parking. Thus, this official recommended against purchasing the most expensive site in Sierra Vista. As a result, the less expensive alternate site was selected.

Western Region officials said that the review process would be changed. Someone from the operational requirements branch will be required to visit each suitable site to review its adequacy from the standpoint of postal operations and cost. District office managers have also been instructed to take a closer look at site planning reports and to visit the sites before approving one to be purchased by the Service.

CONCLUSIONS AND RECOMMENDATIONS

Although postal policy permits advertising, this technique was usually not used to identify sites. By not using this technique, we believe the Service has little assurance that all potential sites are being identified and the most advantageous site, cost and other factors considered, is being purchased.

The Service's management review of recommended sites also does not assure selection of the most advantageous sites. Some members of the site selection committee in the Western Region usually did not take a close look at the recommendations made in site planning reports and usually did not visit available sites. The Service has not established a uniform policy governing membership of the regional site selection committees or procedures they are to follow, nor has it emphasized the need to hold site costs to a minimum. The lack of emphasis on minimizing site costs together with no guidance on the weight to be given to unmeasurable site features may be causing the Service to purchase some sites when less expensive and equally suitable sites were known to be available.

The Service should take advantage of every opportunity to hold site costs down. Therefore, we recommend that the Assistant Postmaster General, Real Estate and Buildings Department

- require regional officials to place advertisements for site offers with newspapers having the largest circulation in the community with any deviations from this policy to be justified and approved;
- provide additional guidance and direction on the membership of the regional site selection committees and procedures they are to follow in carrying out review functions; and
- require regional offices to obtain the lowest priced sites which are adequate to meet postal needs with any deviations from this policy to be justified and approved.

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We wish to express our appreciation for the cooperation given us by both Headquarters and regional officials during our review. We would appreciate being informed of any changes in the Service's site selection policies and/or procedures.

Sincerely yours,



Arnold P. Jones
Associate Director